



AFL-CIO HOUSING INVESTMENT TRUST

November 2015

Michigan Minority Contractors Association

National Office

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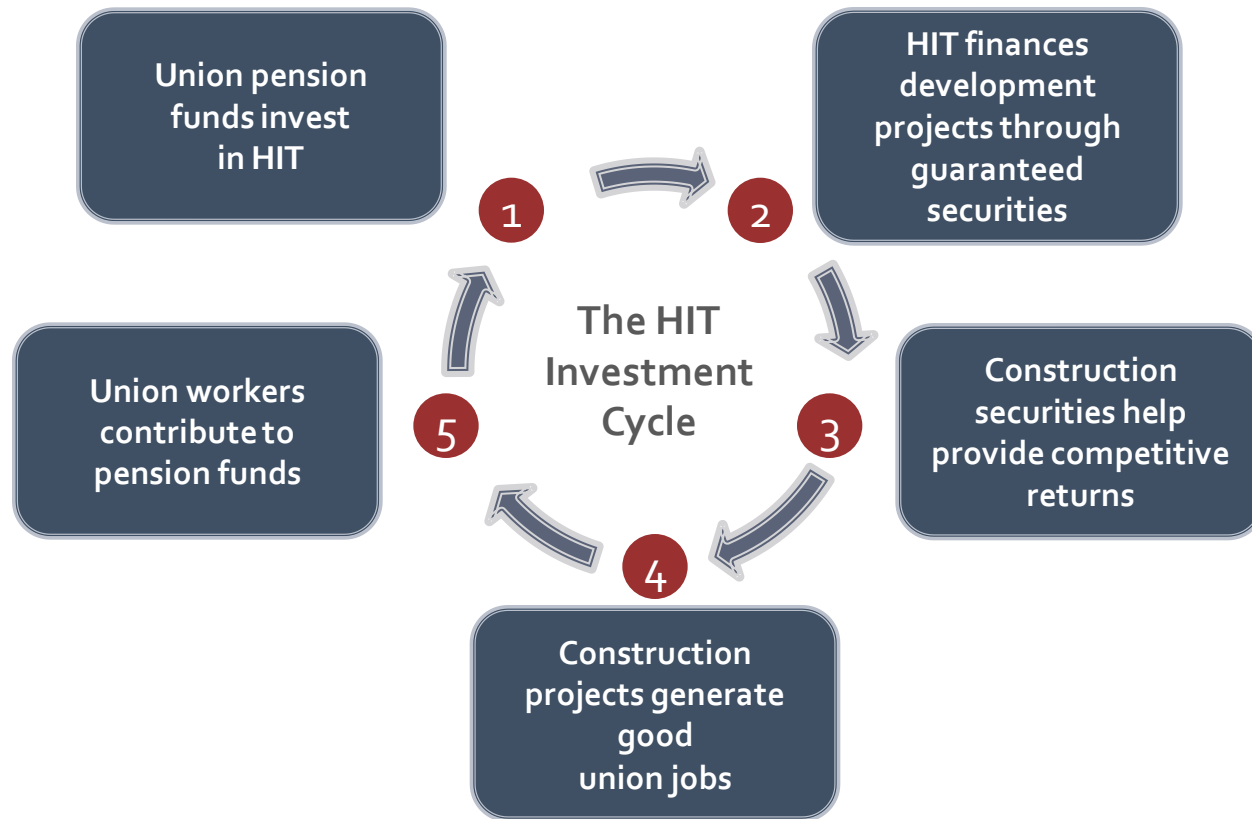
www.aflcio-hit.com

Features of the HIT: Competitive Returns, Impact Investing

- **\$5 billion investment grade fixed-income portfolio**
 - Open-end institutional commingled mutual fund registered under Investment Company Act of 1940 and primarily regulated by the U.S. Securities and Exchange Commission
 - Monthly unit valuation and income distribution- third party pricing provides integrity
- **369 Taft-Hartley pension plans/labor organizations**
- **10 public employee pension plans**
- **30 years of impact investing**
 - Invested over \$8.5 billion nationally (in current dollars) since inception, financed 455 projects in 29 states
 - Generated 75,000 union construction jobs and over 159,000 total jobs across the U.S.
 - More livable communities with quality affordable housing and a sustainable environment

As of September 30, 2015

Cycle of Sustainable Investment



The cycle of sustainable investment begins when union pension plans invest capital in the HIT. This capital allows the HIT to finance multifamily development projects through government/agency credit multifamily new construction and substantial rehabilitation securities, which provide pension plan investors with competitive returns. The projects create good union construction jobs. As workers at the projects earn income, the pension plan contributions increase. The pension plans have more capital to invest in the HIT and the cycle continues.

Multifamily Housing Financing Programs Overview

- Federal Housing Administration (FHA) – an agency of the U.S. Department of Housing and Urban Development (HUD).
- Fannie Mae Forward Commitment Permanent Loan Program for Multifamily Housing.
- State and local housing finance agencies. Long term partners include New York City Housing Development Corporation (HDC), New York State Housing Finance Agency, MassHousing, Illinois Housing Development Authority (IHDA), Connecticut Housing Finance Authority (CHFA), among others.
- Private sector credit enhancements, such as bank letters of credit, with criteria acceptable to the HIT.
- In addition, the HIT can make direct loans (up to 6% of the HIT's assets) that meet certain specified underwriting criteria.

Federal Housing Administration

- Construction and permanent mortgage loan financing for the new construction or substantial rehabilitation of multifamily and senior housing apartments, as well as healthcare facilities that are insured by the Federal Housing Administration (FHA). The FHA insurance insures investors against loss on mortgage defaults.
- FHA uses approved lenders to prepare, process and submit loan applications using its Multifamily Accelerated Processing (MAP) Program.
- Final underwriting and approvals rest with FHA.
- As an example, the 221(d)(4) program FHA allows up to 90% loan to cost and debt coverage of 1.11X.
- There is no lease-up requirement prior to final endorsement.
- The HIT's FHA securities are wrapped with a Ginnie Mae guaranty to ensure against loss of principal.

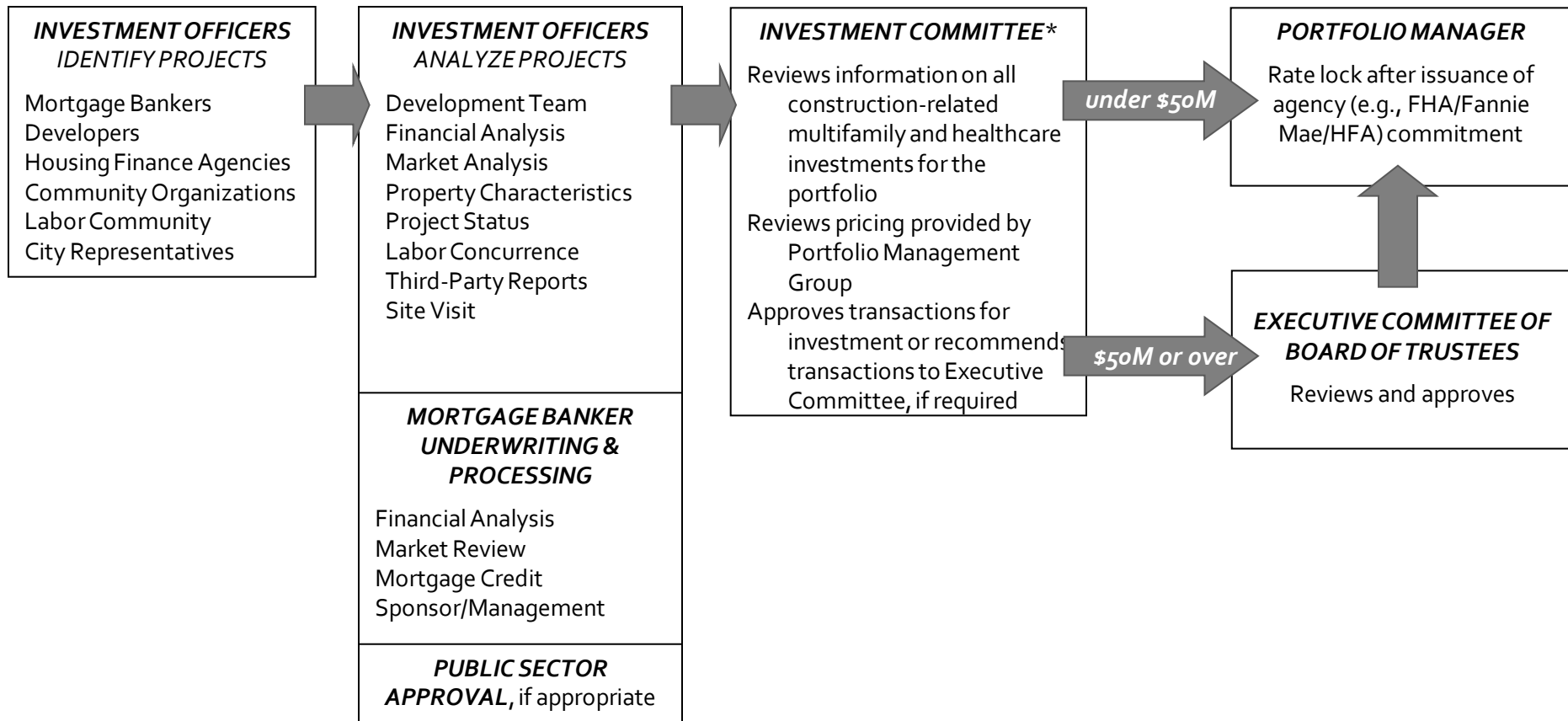
Fannie Mae Forward Commitment Permanent Loan Program

- Permanent mortgage loan financing for the new construction or rehabilitation of multifamily housing through forward commitment to purchase Fannie Mae Mortgage-Backed Securities.
- On occasion, the HIT will provide construction financing on projects that have secured HIT permanent loan financing. Such construction financing is only permitted if it is credit enhanced (e.g. letter of credit) by a construction lender that is rated A or better and approved by the HIT.
- Fannie Mae requires its approved Delegated Underwriting and Servicing (DUS) Lenders to apply strict underwriting standards and will not accept lease-up risk.
- Fannie Mae generally allows up to 80% LTV and debt service coverage ratio of 1.25x.
- Fannie Mae underwriting generally requires 90% occupancy for 90 days prior to issuance of the securities.

State Housing Finance Agencies

- Investments in tax-exempt or taxable bonds and loans backed by state and local housing finance agencies (HFAs)
- Eligible investments include loans, securities and bonds that are:
 - Fully collateralized or secured by cash or an acceptable form of guaranty (e.g. FHA Risk Sharing, FHA Insurance, private insurance, cash escrow, letter of credit, etc.) as determined by the HIT; or
 - Supported by the full faith and credit of a state or local government, agency or instrumentality having taxing authority; or
 - Issued by a Housing Finance Agency with a general obligation rating of “A” or better by S&P (or a comparable rating) and are either (a) full recourse to such agency’s general credit and assets or (b) backed by the “moral obligation” of the state.

Construction-Related Multifamily & Healthcare Project Investment Process



*Standard process: (1) Letter of Interest or conditional commitment is issued after Investment Committee approval based on analysis of the financing structure and pro formas, property description, proposed rents, market demand, sponsor, management, etc.; (2) Preliminary Financing Proposal is approved to be issued when information is available on site control, zoning; third-party reports, and labor confirmation that the project will be built with 100% union labor; (3) after confirmation that the necessary credit enhancement/agency endorsement or approval has been obtained, the final commitment is based on proposed pricing from the Portfolio Management Group. For transactions of \$50 million or more, approval by the Executive Committee of the Board is then required. Finally, the project is eligible for rate lock and final commitment documentation. (The first two steps may not occur in each transaction and do not obligate the HIT.)

Competitive Returns and Collateral Benefits through Directly Sourced Multifamily Investments

The HIT offers investors:

Competitive Returns

Low Risk Liquid Investment

Diversification

Construction Jobs

Affordable Housing



Hunter's Point South - Building A
Queens



Harry Silver Housing Corporation
New York



101 Polk
San Francisco



Five15 on the Park
Minneapolis

Detroit Neighborhood Home Repair Program



- Investing \$30 million of AFL-CIO Housing Investment Trust funds in Detroit to acquire, repair and finance abandoned homes and properties.
- Rebuild in three to five years between 250 to 300 abandoned homes, using union labor and employing Detroit residents.
- Create homeownership opportunities, create workforce training opportunities, provide union construction jobs and provide neighborhood stabilization.

Contact Information

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